

Election Notice

Upcoming FINRA Board of Governors Election

Petitions for Candidacy Due: July 9, 2018

Executive Summary

The annual meeting of FINRA firms will take place on or about Friday, August 17, 2018, to elect one Large Firm Governor, one Mid-Size Firm Governor, and one Small Firm Governor to the FINRA Board of Governors (FINRA Board). A formal notice of the meeting, including the precise date, time and location, will be mailed to executive representatives on or about July 19, 2018.

Eligible individuals who have not been nominated for election to the FINRA Board by the Nominating Committee may be included on the ballot for the election of governors by following the petition procedures set forth in the By-Laws and as further described in this *Election Notice*.

Note: FINRA distributed this Notice electronically to the executive representative of each FINRA firm and it is posted online at www.finra.org/Notices/Election/05252018. Executive representatives should circulate this Notice to their firms' branch managers.

Questions regarding this *Election Notice* may be directed to:

- ▶ **Marcia E. Asquith**, Executive Vice President and Corporate Secretary; or
- ▶ **Jennifer Piorko Mitchell**, Vice President and Deputy Corporate Secretary, at CorporateSecretary@finra.org or (202) 728-8949.

Composition of the Board

The FINRA Board consists of 24 members,¹ including:

- ▶ the Chief Executive Officer of FINRA;
- ▶ thirteen Public Governors;
- ▶ one Floor Member Governor;
- ▶ one Independent Dealer/Insurance Affiliate Governor;
- ▶ one Investment Company Affiliate Governor;
- ▶ three Small Firm Governors;
- ▶ one Mid-Size Firm Governor; and
- ▶ three Large Firm Governors.

May 25, 2018

Suggested Routing

- ▶ Executive Representatives
- ▶ Senior Management

Of the 24 Board members, Public Governors, the Floor Member Governor, the Independent Dealer/Insurance Affiliate Governor and the Investment Company Affiliate Governor (Appointed Governors) are appointed by the FINRA Board from candidates recommended by the Nominating Committee.

The Nominating Committee also may nominate individuals to run for election for the seven elected governor seats that comprise the three Small Firm Governors, one Mid-Size Firm Governor and three Large Firm Governors (Elected Governors). To be eligible to serve, Small Firm Governors must be registered with a small firm, the Mid-Size Firm Governor must be registered with a mid-size firm and Large Firm Governors must be registered with a large firm. Pursuant to Article I of FINRA's By-Laws, firm sizes are defined as follows.

- ▶ A large firm employs at least 500 registered persons.²
- ▶ A mid-size firm employs between 151 and 499 registered persons.³
- ▶ A small firm employs between one and 150 registered persons.⁴

FINRA Nominating Committee Nominee

FINRA's Nominating Committee has nominated the following individuals:

Large Firm Governor Candidate: Timothy C. Scheve, Janney Montgomery Scott LLC

Mid-Size Firm Governor Candidate: Brian J. Kovack, Kovack Securities, Inc.

Small Firm Governor Candidate: The Nominating Committee determined it would not nominate a candidate for election in 2018. Instead, any eligible candidates who obtain the requisite number of petitions will be included on the ballot.

Profiles for each nominee are attached.

Petition Process for Additional Candidates

Pursuant to Article VII, Section 10 of FINRA's By-Laws, a person who has not been nominated for election to the FINRA Board by the Nominating Committee may be included on the ballot for the election of governors if:

- (a) within 45 days after the date of this *Election Notice*, such person presents to FINRA's Corporate Secretary petitions in support of such nomination, duly executed by at least 3 percent of FINRA member firms entitled to vote for such nominee's election. If, however, a candidate's name appears on a petition in support of more than one nominee, the petition must be endorsed by 10 percent of FINRA member firms entitled to vote for such nominees' election; and

- (b) the Corporate Secretary certifies that such petitions have been duly executed by the executive representatives of the requisite number of FINRA member firms entitled to vote for such person's election, and the person being nominated satisfies the classification of the governorship to be filled based on the information provided by the person as is reasonably necessary for the Corporate Secretary to make the certification.

As of close of business on Thursday, May 24, 2018, the number of FINRA large firms was 174, mid-size firms was 195, and small firms was 3,362.

Firms may only endorse one petitioner for the same firm-size seat as their own. No firm may endorse more than one such nominee.

Petitioners must submit sufficient information to determine the person's status with respect to the category for which he or she is petitioning to be nominated. Petitioners must also provide information sufficient for the Corporate Secretary to determine that the petitions are duly executed by the executive representatives of the requisite number of applicable-size firm members. In addition, to assist in the process of verifying petitions, FINRA requests that all petitions submitted be dated by their signatory. **Petitions must be submitted no later than Monday, July 9, 2018.**

Individuals seeking nomination for election as a Large Firm Governor, Mid-Size Firm Governor or a Small Firm Governor have an obligation to satisfy the firm-size classification on the date the petition is circulated, the date the petition is certified by FINRA's Corporate Secretary and the date of the annual meeting. Individuals who fail to meet this requirement will be disqualified from election.

The names of persons obtaining the requisite number of valid petitions will be included on the appropriate proxy mailed to eligible firms in advance of the annual meeting.

Term of Office

Governors are appointed or elected for three-year terms to replace those whose terms expire. An elected individual will serve a three-year term concluding at FINRA's 2021 annual meeting, or until his or her successor is duly elected or qualified, or until death, resignation, disqualification or removal.⁵ In addition, the By-Laws expressly provide that the term of office of a governor shall terminate immediately upon a determination by the Board, by a majority vote of the remaining governors that the governor no longer satisfies the classification for which the governor was elected.

Voting Eligibility

Firms are eligible to vote for the nominees who are running for seats that are in the same size category as their own firm. FINRA will verify each firm's size and mail to each eligible firm a proxy containing the nominees for their voting class.

Endnotes

1. See Article Eight, paragraph (a) of the Restated Certificate of Incorporation of FINRA; Article VII, Section 4 of the FINRA By-Laws.
2. See Article I (y) of the FINRA By-Laws.
3. See Article I (cc) of the FINRA By-Laws.
4. See Article I (ww) of the FINRA By-Laws.
5. See Article VII, Section 5 of the FINRA By-Laws. Governors generally may not serve more than two consecutive terms. However, if a governor is elected or appointed to fill a vacancy for a term of less than one year, the governor may serve up to two consecutive terms following the expiration of the governor's initial term. *Id.*

Profile of Large Firm Governor Nominee

Timothy C. Scheve
President and Chief Executive Officer
Janney Montgomery Scott LLC

Timothy C. Scheve is President and Chief Executive Officer of Janney Montgomery Scott LLC. Janney is a full-service financial services firm, providing comprehensive financial advice to individual, corporate and institutional clients.

Mr. Scheve became the President and CEO in August 2007, and has over 30 years of experience in the securities industry. Since his arrival at Janney, Mr. Scheve has assembled a leadership team that has a tremendous ability to adapt to rapidly evolving client needs and economic changes. These top professionals lead two core business—the Private Client Group and Capital Markets—and ensure efficient operations and administration.

Before becoming the President and CEO of Janney, Mr. Scheve served in a variety of leadership roles at Legg Mason. He was appointed Executive Vice President of Legg Mason in 1998 and Senior Executive Vice President in 2000. In 2003, he was named President and CEO of Legg Mason's broker-dealer, the former Legg Mason Wood Walker, Inc.

Mr. Scheve earned a B.A., *summa cum laude*, from Catholic University and an A.M. in economics from Brown University. He was elected to Phi Beta Kappa.

Mr. Scheve has always used his expertise to support both the financial services industry and his community. His professional affiliations include roles on the Board of Directors of Ben Franklin Technology Partners of Southeastern Pennsylvania and the Board of Directors of the Securities Industry and Financial Markets Association. Past affiliations include serving as a trustee for The Catholic University of America, member of the Board of Directors of the Kimmel Center, member of the Board of Directors of The Pennsylvania Trust Company, Chair of the National Aquarium in Baltimore, President of the Maryland Committee for Children, Vice Chair of the ICI Mutual Insurance Company, and trustee for the House of Ruth and the Baltimore Community Foundation.

Profile of Mid-Size Firm Governor Nominee

Brian J. Kovack
Co-Founder & President
Kovack Securities, Inc.

Mr. Brian Kovack, Esq., is a Co-Founder and President of Kovack Securities, a national full-service independent broker-dealer based in Fort Lauderdale, Florida. In this role, Mr. Kovack oversees the firm's day-to-day operations and serves as a strategic partner to its 400 affiliated financial advisors across the country.

In 2015, Mr. Kovack was elected by industry petition to the Financial Industry Regulatory Authority (FINRA) Board of Governors and is serving a three-year term. He also serves on the FINRA Regulatory Policy Committee as well as the Finance, Operations & Technology Committee. Prior to the current FINRA Board, in 2006, Mr. Kovack was elected to serve as the Industry Representative on the NASD Board of Governors and the FINRA Interim Board of Governors. In addition, he completed a three-year term on the FINRA District 7 Committee, and served a one-year term on the FINRA Regulatory Advisory Committee in 2013.

Mr. Kovack received a Bachelor of Science in Finance from the University of Florida, where he played varsity football for Coach Steve Spurrier, earning two Letters and SEC Academic Honor Roll awards. He earned Master of Accounting and Juris Doctorate (JD) degrees from Nova Southeastern University, and has been a member of the Florida Bar and American Bar Association since 2000.

In 2004, Mr. Kovack graduated from the FINRA Institute at Wharton program at the University of Pennsylvania, where he earned the Certified Regulatory and Compliance Professional (CRCP) designation. He has served as a FINRA Dispute Resolution arbitrator since 2003 and has been a Hearing Officer for FINRA disciplinary hearings. Mr. Kovack maintains the Series 7, 24, 27, 53, 63 and 65 licenses.